

**COMPONENT UNIT FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITORS' REPORT**

**WATERWORKS DISTRICT NO. 7 OF WARDS 6 AND 4  
CALCASIEU PARISH, LOUISIANA**

**SEPTEMBER 30, 2002**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 4/23/03

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McMullen and Mancuso  
Certified Public Accountants, LLC  
P.O. Box 202

Lisa F. McMullen, CPA  
Pamela C. Mancuso, CPA

3516 Maplenood Drive  
Sulphur, Louisiana 70664-0202

Telephone (337) 625-5054  
Fax (337) 625-5849

**INDEPENDENT AUDITORS' REPORT**

Board of Trustees  
Waterworks District No. 7 of Wards 6 and 4  
Calcasieu Parish, Louisiana

We have audited the accompanying general purpose financial statements of the Waterworks District No. 7 of Wards 6 and 4, Calcasieu Parish, Louisiana, a component unit of the Calcasieu Parish Police Jury as of and for the year ended September 30, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of Waterworks District No. 7 of Wards 6 and 4 management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards adopted by the American Institute of Certified Public Accountants; *Governmental Auditing Standards*, promulgated by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Waterworks District No. 7 of Wards 6 and 4, Calcasieu Parish, Louisiana, as of September 30, 2002 and the results of its operations and cash flows for the year then ended in conformity with generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole.

*McMullen and Mancuso, CPAs*  
March 3, 2003

**Waterworks District No. 7 of Wards 6 and 4  
Calcasieu Parish, Louisiana, a component unit of  
the Calcasieu Parish Police Jury**

**BALANCE SHEET  
PROPRIETARY FUND TYPE  
September 30, 2002**

**ASSETS**

**CURRENT ASSETS**

Cash (Note E)	\$ 129,701
Trade Accounts Receivable, (net of \$3,034 allowance for uncollectible accounts)	57,595
Accrued Interest Income	106
Prepaid Insurance	9,310
Total Current Assets	<u>196,712</u>

**RESTRICTED ASSETS (Note B)**

Cash	231,398
Certificate of Deposits	8,788
Total Restricted Assets	<u>240,186</u>

**PROPERTY, PLANT, AND EQUIPMENT (Note A)**

Water Plant	3,655,741
Buildings	82,415
Office Furniture and Equipment	15,505
Meters and Equipment	267,725
Less Accumulated Depreciation	(1,464,701)
Land	38,564
Net Property, Plant and Equipment	<u>2,595,249</u>

**OTHER ASSETS**

Deferred Charges, Net of \$4,464 Amortization (Note N)	101,555
Bond Issue Costs, Net of \$258 Amortization	12,852
Perpetual Servitude Agreement (Note L)	8,000
Total Other Assets	<u>122,407</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 3,154,554</u></u>

The accompanying notes are an integral part of these statements.

**Waterworks District No. 7 of Wards 6 and 4  
Calcasieu Parish, Louisiana, a component unit of  
the Calcasieu Parish Police Jury**

BALANCE SHEET (continued)  
PROPRIETARY FUND TYPE  
September 30, 2002

**LIABILITIES AND FUND EQUITY**

**CURRENT LIABILITIES**

Payable from Current Assets:

Accounts Payable	\$	7,155
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Accrued Expenses:

Payroll		10,181
Payroll Taxes and Retirement		7,262
Sales Tax		1,273
DHH Fees		3,900

Payable from Restricted Assets:

Customer Deposits		69,934
Matured Interest Payable		20,005

Current Maturities of Bonds Payable:

General Obligation Bonds Payable (Note D)		11,000
Revenue Bonds Payable (Note D)		17,000

Total Current Liabilities		147,710
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**LONG TERM LIABILITIES (Notes D)**

General Obligation Bonds Payable (net of current maturities)		89,000
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Water Revenue Bonds Payable (net of current maturities)		815,000
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Total Long Term Liabilities		904,000
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<b>TOTAL LIABILITIES</b>		1,051,710
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**FUND EQUITY**

Contributed Capital: (Note C):

Capital Grants		1,082,000
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Less Amortization		(461,280)
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Total Contributed Capital		620,720
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Retained Earnings:

Unreserved, Undesignated		1,416,294
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Reserved for Revenue Bond Retirement		65,830
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Total Retained Earnings		1,482,124
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TOTAL FUND EQUITY		2,102,844
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TOTAL LIABILITIES AND FUND EQUITY	\$	3,154,554
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The accompanying notes are an integral part of these statements.

**Waterworks District No. 7 of Wards 6 and 4  
Calcasieu Parish, Louisiana, a component unit of  
the Calcasieu Parish Police Jury**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN  
RETAINED EARNINGS, PROPRIETARY FUND TYPE  
Year Ended September 30, 2002**

Operating Revenues:	
Water Revenue	\$ 377,293
Member Fees	9,075
Pipe Revenues	912
Service Charge Income	2,611
Late Charge Income	14,295
Total Operating Revenue	<u>404,186</u>
Operating Expenses	<u>385,510</u>
Operating Income	18,676
Non-Operating Revenues (Expenses):	
Tax Revenue (Note F)	76,182
Parish Grant (Note M)	10,237
Interest Income	7,155
Interest Expense	(74,925)
Revenue Sharing	5,143
Miscellaneous Revenues	680
Miscellaneous Expenses	(1,760)
Total Non-Operating Revenues (Expenses)	<u>22,712</u>
Net Income	41,388
Amortization of Contributed Capital (Note C)	<u>27,050</u>
Increase in Retained Earnings	68,438
Retained Earnings at Beginning of Year	<u>1,413,686</u>
Retained Earnings at End of Year	<u><u>\$ 1,482,124</u></u>

The accompanying notes are an integral part of these statements.

**Waterworks District No. 7 of Wards 6 and 4  
Calcasieu Parish, Louisiana, a component unit of  
the Calcasieu Parish Police Jury**

**STATEMENT OF CASH FLOWS  
Year Ended September 30, 2002**

**INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**

**Cash Flows From Operating Activities:**

Operating Income	\$ 18,676
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Amortization of Bond Costs	3,670
Amortized Interest Expense	4,463
Depreciation	127,612
Change in Assets and Liabilities:	
Decrease in Accounts Receivable	44
Decrease in Accrued Interest Income	220
Increase in Prepaid Insurance	(853)
Decrease in Restricted Assets	105,846
Increase in Accounts Payable	4,532
Decrease in Interest Payable	(10,278)
Increase in Accrued Expenses	<u>5,416</u>
Net Cash Provided by Operating Activities	<u>259,348</u>

**Cash Flows From Non-Capital Financing Activities:**

Cash Provided from Ad Valorem Taxes	76,182
Cash Provided from Revenue Sharing	5,143
Cash Provided from Parish Grant	10,237
Cash Provided from Non-Operating Miscellaneous Income	680
Cash Provided by Customer Deposits	3,135
Cash Payments for Non-Operating Miscellaneous Expenses	<u>(1,760)</u>

Net Cash Provided by Non-Capital Financing Activities	93,617
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The accompanying notes are an integral part of these statements.

**Waterworks District No. 7 of Wards 6 and 4  
Calcasieu Parish, Louisiana, a component unit of  
the Calcasieu Parish Police Jury**

**STATEMENT OF CASH FLOWS (continued)  
Year Ended September 30, 2002**

**INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**

**Cash Flows from Capital and Related Financing**

**Activities:**

Proceeds on New Bonds	932,000
Redemption of Old Bonds	(1,088,000)
Interest Paid on Bonds	(74,925)
Issue Costs Paid on 2002 Bonds	(13,110)
Cash Payments for Construction and Asset Purchases	<u>(52,525)</u>

Net Cash Used for Capital and Related Financing Activities	\$ (296,560)
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**Cash Flows from Investing Activities:**

Interest Earned on Investment	\$ <u>7,155</u>
Net Cash Provided by Investing Activities	<u>7,155</u>
Net Increase in Cash and Cash Equivalents	63,560
Cash and Cash Equivalents Beginning of Year	<u>66,141</u>
Cash and Cash Equivalents End of Year (Note J)	\$ <u>129,701</u>

**Supplemental Disclosure:**

Actual interest expense paid in the year ended September 30, 2002 was \$70,463.



**Waterworks District No. 7 of Wards 6 and 4  
Calcasieu Parish, Louisiana, a component unit of  
the Calcasieu Parish Police Jury**

**NOTES TO FINANCIAL STATEMENTS  
September 30, 2002**

**Note A – Summary of Significant Accounting Policies**

Waterworks District No. 7 of Wards 6 and 4 was created by the Calcasieu Parish Police Jury, as authorized by Louisiana Revised Statute 33:3811. The Waterworks District is governed by a five-member board of commissioners who are appointed by the police jury and are responsible for providing water service to users within the boundaries of the district.

In conformance with the National Council on Governmental Accounting, Statement 3, Waterworks District No. 7 of Wards 6 and 4 is a component unit of the Calcasieu Parish Police Jury, the governing body of the parish. The accompanying financial statements present information only on the fund maintained by Waterworks District No. 7 of Wards 6 and 4 and do not present information on the Calcasieu Parish Police Jury and the general government services provided by that governmental unit.

**Fund Accounting**

Waterworks District No. 7 of Wards 6 and 4 is organized and operated as an Enterprise Fund whereby a self-balancing set of accounts is maintained that comprise its assets, liabilities, fund equity, revenues and expenses. The operations are financed and operated in a manner similar to a private business enterprise, where the intent of the governing body is that the cost (expenses, including depreciation) of providing services on a continuing basis be financed or recovered primarily through user charges and ad valorem taxes.

**Property, Plant, and Equipment**

The accounting and reporting treatment applied to property, plant and equipment and long-term liabilities associated with a fund are determined by its measurement focus. Proprietary funds are accounted for on a cost of services or “capital maintenance” measurement focus. This means that all assets and liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets.

Depreciation is provided in this enterprise fund in amounts sufficient to relate the cost of the depreciable assets to operations over their estimated service lives on the straight-line basis. The service lives range from 5 to 40 years.

Depreciation expense for the year ended September 30, 2002 was \$127,612.

**Waterworks District No. 7 of Wards 6 and 4  
Calcasieu Parish, Louisiana, a component unit of  
the Calcasieu Parish Police Jury**

**NOTES TO FINANCIAL STATEMENTS (continued)  
September 30, 2002**

**Property, Plant, and Equipment (continued)**

Additions and deletions to property plant, and equipment for the year ended September 30, 2002 were as follows:

	Beginning of Year	Additions	Deletions	End of Year
Water Plant	\$ 3,625,950	\$ 29,791	\$ -	\$ 3,655,741
Buildings	70,000	12,415	-	82,415
Office Furniture and Equipment	12,496	3,009	-	15,505
Meters and Equipment	<u>260,415</u>	<u>7,310</u>	<u>-</u>	<u>267,725</u>
Totals	<u>\$ 3,968,861</u>	<u>\$ 52,525</u>	<u>\$ -</u>	<u>\$ 4,021,386</u>

**Basis of Accounting**

The accrual basis of accounting is used by the Waterworks District with revenues being recognized when earned and become measurable and expenses being recognized when incurred, if measurable. Unbilled utility service receivable is recorded at year end.

**Budgets and Budgetary Accounting**

The District adopts a budget annually for operating expenses. The budget is adopted under a basis consistent with GAAP, except that depreciation, certain capital expenses, revenues, nonoperating income and certain non-operating expense items are not considered. The budget for the District is not presented in these statements.

**Risk Management**

The Water District purchases fidelity bonds, worker's compensation coverage and general liability and property insurance from a commercial insurance carrier in order to manage its risks. During the year ended September 30, 2002, the District contributed \$13,544 in premiums. There were no significant reductions in insurance coverage from the prior year.

**Waterworks District No. 7 of Wards 6 and 4  
Calcasieu Parish, Louisiana, a component unit of  
the Calcasieu Parish Police Jury**

**NOTES TO FINANCIAL STATEMENTS (continued)  
September 30, 2002**

**Note B – Restricted Assets**

Restricted assets were applicable to the following at September 30, 2002:

Water Depreciation and Contingency Fund	\$ 26,169
Water Reserve Fund	59,464
Water Revenue Bond and Interest Sinking Fund	119,839
General Obligation Bond and Interest Sinking Fund	25,899
Customer Deposits Fund	8,788
Cash with Fiscal Agent	27
	<u>\$ 240,186</u>

The Revenue Bond Resolution contains certain restrictive covenants which, among other things, require the establishment and maintenance of a "Water Revenue Bond and Interest Sinking Fund" (the "Sinking Fund") to ensure the prompt payment of principal and interest installments as they become due. The Resolution requires that a sum equal to one-twelfth of the total amount of principal and interest falling due in the ensuing year be restricted on a monthly basis. The Resolution also requires that five percent (5%) of the amount to be paid into the "Sinking Fund" for the month be restricted until such time that the accumulated balance is equal to the highest combined principal and interest falling due in any year. In addition, a sum equal to five percent (5%) of the amount to be paid monthly into the "Sinking Fund" is required to be deposited monthly in the "Depreciation Fund" to care for depreciation, extensions, additions, improvements and replacements necessary to properly operate the system.

An ad valorem tax is levied, assessed and imposed on all the taxable property in Waterworks District No. 7 of Wards 6 and 4, Calcasieu Parish, Louisiana, for the purpose of paying the principal and interest on the General Obligation Bonds. Tax revenues received that are dedicated for such purposes are required to be restricted.

Louisiana Revised Statutes require that at least ten percent (10%) of the total amount of customer deposits be maintained in a cash reserve fund.

**Note C – Contributed Capital**

Contributed capital at September 30, 2002 consists of grants received in 1984, 1985, and 1986 which were restricted by the grantors to be used for construction of and improvements to the waterworks system. Contributed capital has been reduced in each year by the amount of \$27,050 of amortization recognized on assets constructed through such resources. At September 30, 2002 the unamortized amount of contributed capital was \$620,720.

**Waterworks District No. 7 of Wards 6 and 4  
Calcasieu Parish, Louisiana, a component unit of  
the Calcasieu Parish Police Jury**

**NOTES TO FINANCIAL STATEMENTS (continued)  
September 30, 2002**

**Note C – Contributed Capital (continued)**

Grants included in contributed capital at September 30, 2002 as follows:

Agency	Project Number	Award Amount Received
U. S. Department of Agriculture Farmer's Home Administration	507-10-48	\$ 723,000
State of Louisiana Department of Transportation and Development	507-10-48	200,000
State of Louisiana Department of Transportation and Development	507-10-62	<u>159,000</u>
Total		<u>\$ 1,082,000</u>

**Note D – Long Term Liabilities**

The following is a summary of bond transactions of the Waterworks District for the year ended September 30, 2002

	Revenue Bonds	General Obligation Bonds
Outstanding at September 30, 2001	\$ 870,000	\$ 218,000
Issued in Year	832,000	100,000
Redeemed in Year	(870,000)	(218,000)
Outstanding at September 30, 2002	<u>\$ 832,000</u>	<u>\$ 100,000</u>

**Waterworks District No. 7 of Wards 6 and 4  
Calcasieu Parish, Louisiana, a component unit of  
the Calcasieu Parish Police Jury**

**NOTES TO FINANCIAL STATEMENTS (continued)  
September 30, 2002**

**Note D – Long Term Liabilities (continued)**

On April 1, 2002, the District issued \$100,000 in General Obligation Bonds with an average interest rate of 4.83 percent to refund \$210,000 of outstanding 1991 series bonds with an average interest rate at 7.0 percent. The District transferred \$115,000 from the Sinking Fund for payment of \$110,000 in principal, \$1,143 interest on the 1991 series bonds, and issuance costs for the 2002 series bonds. As a result, the 1991 Series bonds are considered defeased and the liability for those bonds has been removed from the general long term liability section.

The District completed the current refunding to reduce its total debt service payments over the next 15 years by \$102,039 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$27,467.

On April 1, 2002, the District issued \$832,000 in Water Revenue Bonds with an average interest rate of 5.29 percent to refund \$840,000 of outstanding 1991 series bonds with an average interest rate at 7.0 percent. The District transferred \$25,316 from the Sinking Fund for payment of \$8,000 principal, \$4,573 interest on the 1991 series bonds, and issuance costs for the 2002 series bonds. As a result, the 1991 Series bonds are considered defeased and the liability for those bonds has been removed from the general long term liability section.

The District completed the current refunding to reduce its total debt service payments over the next 14 years by \$117,813 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$81,550.

The annual requirements to amortize all debt outstanding as of September 30, 2002 as follows:

<u>Year Ending</u> <u>September 30,</u>	<u>Revenue</u> <u>Principal</u>	<u>Bonds</u> <u>Interest</u>	<u>Obligation</u> <u>Principal</u>	<u>Bonds</u> <u>Interest</u>
2003	\$ 17,000	\$ 40,139	\$ 11,000	\$ 4,013
2004	41,000	42,029	11,000	4,340
2005	43,000	39,807	11,000	3,900
2006	45,000	37,480	12,000	3,350
2007	48,000	35,020	13,000	2,750
Thereafter	638,000	182,664	42,000	4,200
	<u>\$ 832,000</u>	<u>\$ 377,139</u>	<u>\$ 100,000</u>	<u>\$ 22,553</u>

**Waterworks District No. 7 of Wards 6 and 4  
Calcasieu Parish, Louisiana, a component unit of  
the Calcasieu Parish Police Jury**

**NOTES TO FINANCIAL STATEMENTS (continued)  
September 30, 2002**

**Note D – Long Term Liabilities (continued)**

Bonds payable consists of the following at September 30, 2002:

**Revenue Bonds:**

\$832,000 Water Revenue Bonds, Series 2002, due in annual principal installments of \$17,000 - \$79,000 through November 1, 2016, plus interest at 5.29%	\$ 832,000
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**General Obligation Bonds:**

\$100,000 General Obligation Refunding Bonds, Series 2002, due in annual principal installments of \$11,000 - \$14,000 through May 1, 2010, plus interest currently at 4.0% and varying to 5% ( this issue secured by levy and collection of ad valorem taxes)	100,000
	932,000
Less current maturities	(28,000)
	\$ 904,000

**Note E – Cash and Investments**

At September 30, 2002 the book balance of the District's deposits was \$369,887 and the bank balance was \$369,848. Restricted Cash of \$240,186 is included in the following schedule.

	Carrying Amount	Bank Balance	
Insured (FDIC)			
CD	\$ 8,788	\$ 8,788	
DDA	252,246	252,207	
Uninsured:			
Collateral held by pledging bank's trust department in District's name	108,853	108,853	
	\$ 369,887	\$ 369,848	



**Waterworks District No. 7 of Wards 6 and 4  
Calcasieu Parish, Louisiana, a component unit of  
the Calcasieu Parish Police Jury**

**NOTES TO FINANCIAL STATEMENTS (Continued)  
September 30, 2002**

**Note F – Ad Valorem Taxes**

For the year ended September 30, 2002 taxes of 9.91 mills were levied in all the taxable property in Waterworks District No. 7 of Wards 6 and 4, Calcasieu Parish, Louisiana, and dedicated for maintenance and operational purposes.

The following is a schedule of the 2001 property tax calendar that is applicable to the District:

1. Levy date - October, 2001
2. Billing date – November, 2001
3. Collection dates – December, 2001 – May, 2002
4. Due dated – On receipt
5. Delinquent date – December 31, 2001
6. Lien date – June, 2002

These taxes, less certain uncollectibles, collection costs and adjustments, plus minor amounts of prior year taxes are reported for the fiscal year ended September 30, 2002.

**Note G – Flow of funds; Restrictions on Use – Utilities Revenues**

Under the terms of the bond resolution on outstanding Water Revenue Bonds dated April 2, 2002, all income and revenues of every nature, earned and derived from operation of the waterworks system are pledged and dedicated to the retirement of said bonds, expenses of operating and maintaining the system. Such revenue is to be deposited into a separate and special bank account to be administered in the following order of priority and for the following purposes:

The payment of all reasonable and necessary expenses of administration, operation and maintenance of the system.

The establishment and maintenance of a Water Revenue Bond and Interest Sinking Fund by transferring from the Operating Account each month an amount constituting 1/12 of the next maturing installment including interest on the outstanding bonds. Such transfers shall be fully sufficient to assure the prompt payment of principal and interest installments as they become due, and may be used only for such payments.

**Waterworks District No. 7 of Wards 6 and 4  
Calcasieu Parish, Louisiana, a component unit of  
the Calcasieu Parish Police Jury**

**NOTES TO FINANCIAL STATEMENTS (Continued)  
September 30, 2002**

**Note G – Flow of funds; Restrictions on Use – Utilities Revenues (continued)**

The establishment and maintenance of a Water Reserve Fund by transferring from the Operating Account each month an amount at least equal to 5.0% of the amount to be paid into the Sinking fund described above until there shall have been accumulated in the Reserve account an amount equal to the maximum principal and interest requirements in any one maturity year. The money in said account is to be retained solely for the purpose of paying the principal of and interest on bonds payable from the Sinking Fund as to which there would otherwise be default.

The establishment and maintenance of a Water Depreciation and Contingency fund by transferring from the Operating Account a sum equal to 5.0% of the amount to be paid monthly into the Sinking Fund each month to care for depreciation, extensions, additions, improvements and replacements necessary to properly operate the system. Money in this fund may also be used to pay principal or interest on the bond falling due at any time if there is not sufficient money for payment in the other bond funds.

The balance of the excess funds on deposit in the Water Revenue Fund, after the transfer of the required amount into the above noted funds, may be used for the purpose of calling and/or paying bonds or for any other lawful corporate purpose as the Governing Authority may determine.

**Note H – Retirement System**

Full-time employees are members of the Parochial Employees' Retirement System of Louisiana, a Public Employee Retirement System (PERS), which is the administrator of a cost sharing multiple-employer plan.

Current year payroll was \$117,072, all of which was covered by the Plan.

Any person who is a permanent employee and works at least 28 hours a week and whose compensation is paid wholly or partly by a covered employer is covered by this system.

**Plan Benefits**

**Plan A Fund Benefits:**

Any member is eligible for normal retirement if he has at least 30 years of creditable service regardless of age, 25 years of creditable service and is at least age 55 or 10 years of creditable service and is at least age 60.



**Waterworks District No. 7 of Wards 6 and 4  
Calcasieu Parish, Louisiana, a component unit of  
the Calcasieu Parish Police Jury**

**NOTES TO FINANCIAL STATEMENTS (Continued)  
September 30, 2002**

**Note H – Retirement System (continued)**

The retirement allowance is equal to three percent of the member's final average compensation (defined as the average of the highest consecutive 36 months) multiplied by his years of creditable service; however, any employee who was a member of the supplemental plan only prior to the revision date has the benefit earned for service credited prior to the revision date on the basis of one percent of final compensation plus two dollars per month for each year credited prior to the revision date, and three percent of final compensation for each year of service credited after the revision date. The retirement allowance may not exceed the greater of one hundred percent of a member's final salary (last 12 months) or the final average compensation.

A member is eligible to retire and receive disability benefits if he has at least 5 years of creditable service, is not eligible for normal retirement and suffers disability, which has been certified by the State Medical Disability Board. The rate is 3% of the member's final compensation multiplied by his years of creditable service under certain conditions outlined in the statutes.

Upon death of a member with 5 or more years of creditable service, the Plan provides benefits for surviving spouses and minor children. Under certain conditions outlined in the statutes, the benefits range from 30% to 60% of the member's final compensation.

**Deferred Retirement Option**

*In lieu of terminating employment and accepting a service retirement allowance, any member who has been an active contributing member for one full year after becoming eligible for a normal retirement allowance may elect to participate in the Deferred Retirement Option Plan, and defer the receipt of benefits.*

The duration of participation in the plan shall be specified and shall not exceed two years.

Upon the effective date of the commencement of participation in the plan, membership in the system shall terminate. Employer contributions shall continue to be payable by the employer during the person's participation in the plan, but payments of employee contributions shall cease upon the effective date of the person's commencement of participation in the plan.

The monthly retirement benefits that would have been payable, had the person elected to cease employment and receive a service retirement allowance, shall be paid into the Deferred Retirement Option Plan fund, which shall not earn interest.

Upon termination of employment at the end of the specified period of participation, a participant in the plan shall receive, at his/her option, a lump sum payment from the Deferred Retirement Option

**Waterworks District No. 7 of Wards 6 and 4  
Calcasieu Parish, Louisiana, a component unit of  
the Calcasieu Parish Police Jury**

**NOTES TO FINANCIAL STATEMENTS (Continued)  
September 30, 2002**

**Note H – Retirement System (continued)**

Plan fund equal to the payments made to that fund on his/her behalf, a true annuity based upon his/her account in that fund, or any other method of payment approved by the Board of Trustees.

**Contributions**

The actuarially required employer contribution for Plan A was determined by adding to the normal cost an amortization payment on the unfunded accrued liability which was based on a 40 year annuity with payments increasing at 4% per year. This payment method conforms to legislation passed during 1988 by the Louisiana Legislature.

**Member Contributions:**

Member contributions, established by Statute at 9.50% of total compensation for Plan A and at 2.0% of salary in excess of \$1,200 for Plan B, are deducted from the member's salary. Employees contributed \$10,005 in the year ended September 30, 2002.

**Employer Contributions**

Employer contributions are actuarially determined every fiscal year according to statutory process. Written notices of these rates are provided to employers annually. Employer rates are 7.75% for Plan A and 1.0% for Plan B. The District contributed \$9,028 on behalf of its employees for the year ended September 30, 2002.

**Note I – Compensated Absences**

The District does not accrue compensated absences as they do not have a formal policy regarding compensated absences. Terminated employees do not receive compensation for unused time.

**Note J – Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Waterworks District considers all short-term debt securities purchased with a maturity of three months or less to be cash equivalents.

**Note K – Management Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Note L – Perpetual Servitude**

In June, 1995, the Waterworks District entered into a perpetual servitude agreement for the right to drill and maintain water wells, construct and maintain water lines, and to perform such other tasks as may be reasonably related to the operation and maintenance of water wells on the property located next to the Waterworks District main office. The total cost of the agreement was \$8,000.

**Waterworks District No. 7 of Wards 6 and 4  
Calcasieu Parish, Louisiana, a component unit of  
the Calcasieu Parish Police Jury**

**NOTES TO FINANCIAL STATEMENTS (Continued)  
September 30, 2002**

**Note M – Parish Grant**

The District received a \$10,237 grant from the Calcasieu Parish Police Jury for the 6" Water Main Project extension and upgrade.

**Note N – Deferred Charges**

The remaining unamortized issuance costs associated with the Series 1991 General Obligation and Revenue Bonds are being amortized as a component of interest expense over the life of the new bonds.

**Waterworks District No. 7 of Wards 6 and 4  
Calcasieu Parish, Louisiana, a component unit of  
the Calcasieu Parish Police Jury**

**SCHEDULE OF OPERATING EXPENSES  
PROPRIETARY FUND TYPE**

Year Ended September 30, 2002

Amortization	\$ 3,670
Advertising	2,497
Board Per Diem	2,800
Bad Debts	134
Bank Charges	1,273
Chemicals	9,872
Contract Labor	125
Depreciation	127,612
Dues and Subscriptions	1,317
Fiscal Agent Charges	3,400
Fuel	5,265
Insurance	31,641
Office Expenses	3,388
Payroll Taxes and Retirement	10,706
Permits and Licenses	377
Postage	4,355
Professional Services	4,070
Professional Development	455
Rent	200
Repairs and Maintenance	14,988
Salaries	117,072
Supplies	10,634
Telephone	4,980
Travel and Meals	1,255
Uniforms	1,538
Utilities	21,886
Total	\$ <u>385,510</u>

McMullen and Mancuso  
Certified Public Accountants, LLC  
P. O. Box 202

Lisa F. McMullen, CPA

3516 Maplenood Drive

Telephone (337) 625-5054

Pamela C. Mancuso, CPA

Sulphur, Louisiana 70664-0202

Fax (337) 625-5849

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Board of Trustees  
Waterworks District No. 7 of Wards 6 and 4  
Calcasieu Parish, Louisiana

We have audited the general purpose financial statements of the Waterworks District No. 7 of Wards 6 and 4, Calcasieu Parish, Louisiana, a component unit of the Calcasieu Parish Police Jury as of and for the year ended September 30, 2002, and have issued our report thereon dated March 3, 2003. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Waterworks District No. 7 of Wards 6 and 4, Calcasieu Parish, Louisiana's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Waterworks District No. 7 of Wards 6 and 4, Calcasieu Parish, Louisiana's, internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control components does not reduce to a relatively low level the risk that misstatements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Waterworks District No. 7 of Wards

6 and 4, Calcasieu Parish, a component unit of the Calcasieu Parish Police Jury management, and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties.

*McMullen and Mancuso CPTs*

March 3, 2003

**Waterworks District No. 7 of Wards 6 and 4  
Calcasieu Parish, Louisiana, a component unit of  
the Calcasieu Parish Police Jury**

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**

**For the Year Ended September 30, 2002**

**Findings**

There were no findings in the year.

**Waterworks District No. 7 of Wards 6 and 4  
Calcasieu Parish, Louisiana, a component unit of  
the Calcasieu Parish Police Jury**

**SCHEDULE OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS**

**For the Year Ended September 30, 2001**

**Findings**

There were no findings in the year.



McMullen and Mancuso  
Certified Public Accountants, LLC  
P.O. Box 202

Lisa F. McMullen, CPA  
Pamela C. Mancuso, CPA

3516 Maplewood Drive  
Sulphur, Louisiana 70664-0202

Telephone (337) 625-5054  
Fax (337) 625-5849

March 3, 2003

Board of Trustees  
Waterworks District No. 7  
Of Wards 6 and 4  
Calcasieu Parish, Louisiana

Dear Board Members:

We have audited the financial statements of Waterworks District 7 of Wards 6 and 4 and have issued our report thereon dated March 3, 2003. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

As a part of our examination, we have issued our report on the financial statements, dated March 3, 2003, and our report on internal control and compliance with laws, regulations, and contracts, dated March 3, 2003.

During the course of our examination, we became aware of the following matters which represent immaterial deviations of compliance or suggestions for improved internal controls.

**Suggestion 2002-1 – Vacation Policy**

**Criteria** - The District should have a formal vacation policy, which is communicated to all employees.

**Condition** - No formal vacation policy exists.

**Cause** - The District has operated for years with the same personnel with no turnover. The employees were allowed to take vacation when requested and no abuse occurred.

**Effect** - The District has hired additional employees and the policies should be established so that all current and new employees will know clearly the policies of the District regarding earned time off.

**Recommendation** – We recommend that the District establish a vacation policy, communicate that policy to all existing employees, and include the policy in a personnel manual. Since the total number of employees of the District is small, tracking vacations days taken and available should not be a difficult or cumbersome task. The District might also find it desirable to periodically communicate to employees the status of their “vacation account.” That would allow employees to better plan their vacations and to take advantage of their accrued vacation benefits in a manner most fair to themselves and the District, and it

Members

American Institute of Certified Public Accountants  
Louisiana Society of Certified Public Accountants

would allow any misunderstandings to be identified and resolved. In establishing the vacation policy, the District should specify whether days earned but not taken during the period would expire or carry over to future periods and, if so, the length of the carry over period.

#### **Suggestion 2002-2 – Fidelity Insurance**

**Criteria** – The District should have fidelity insurance on all employees that handle cash.

**Condition** – The District has fidelity insurance on some of the Board members but not on the employees that handle cash on a day to day basis.

**Cause** – The majority of customer payments had been made at a local bank in the past and thus the amount of receipts handled by District employees was minimal.

**Effect** – The District could suffer a loss if any misappropriation occurred.

**Recommendation** – We recommend that the District procure fidelity insurance on all employees that are responsible for handling cash (either its receipts or disbursements) as well as those holding positions of trust. We believe that this type of protection is a particularly desirable safeguard against loss through theft or misappropriation.

#### **Suggestion 2002-3 – Cash Receipt Procedures**

**Criteria** – The District should maintain strong internal controls over the receipt of cash.

**Condition** – The District employees mark all customer payments on the billing report, prepare deposit slips daily and then enter payments into the computer system to credit against their account.

**Cause** – Now that the Bank no longer handles the receipt of customer deposits, the District needs to strengthen controls over cash receipts.

**Effect** – The current system does not allow for a swift review of cash receipts for any potential discrepancies.

**Recommendation** – Since it is not practical for the District to separate the duties of receiving, recording, and depositing cash receipts, it would be advisable for the District to adopt additional control procedures. We recommend that the employee accepting cash payments and opening the mail prepare a list of remittances each day. This list should include the customers' names, date, method of payment (check or cash), amounts, and invoices being paid. The listing should be used to record all customer payments in the computer, and then a report should be printed daily following the input of all payments. The total of the remittances received should be compared to the reports printed on a regular basis, as well as to the deposit tickets, prepared on a daily basis.

*McMullen and Mancuso, CPA*

March 3, 2003

**MANAGEMENT'S CORRECTIVE ACTION PLAN**

**Waterworks District No. 7 of Wards 6 and 4  
Calcasieu Parish, Louisiana**

To the following oversight agencies for audit:

State: Legislative Auditor of the State of Louisiana

Waterworks District No. 7 of Wards 6 and 4, Calcasieu Parish Louisiana respectfully submits the following Corrective Action Plan for the year ended September 30, 2002.

Name and address of independent public accounting firm: McMullen and Mancuso, CPAs, LLC; 3516 Maplewood Drive, Sulphur, LA 70663.

Audit Period: For the year ended September 30, 2002.

Our corrective action plan for the management letter suggestions are as follows:

Suggestion 2002-1 – Vacation Policy

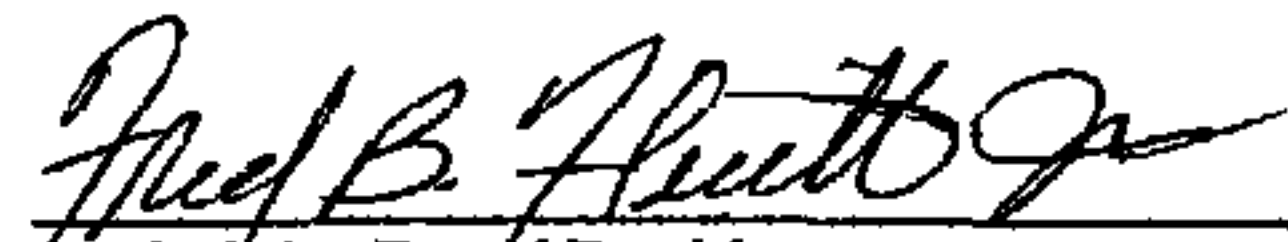
Management's Response: We will adopt a vacation policy and communicate the policy to all existing personnel.

Suggestion 2002-2 – Fidelity Insurance

Management's Response: We will obtain fidelity insurance on all personnel responsible for handling cash.

Suggestion 2002-3 – Cash Receipts Procedures

Management's Response: We will implement the procedures recommended by our auditors.



Fred Fluitt, Board President

Waterworks District No. 7 of Wards 6 and 4